

# CASE STUDY

## PECONIC LANDING

\$24,290,000 | December 12, 2019 | Greenport, NY



FINANCED RIGHT®

### HJ SIMS ISSUES FORWARD DELIVERY BONDS TO LOCK IN DEBT SERVICE SAVINGS ONE YEAR AHEAD OF CALL DATE.



#### PARTNERED RIGHT®

Peconic Landing at Southold is a life plan community located in Greenport, New York on Long Island's North Fork. Residents in its 296 independent living apartments and cottages, 42 assisted living units and 60 skilled nursing beds enjoy 145 acres with 2,700 feet of private beach on Long Island Sound. Opened in 2002, it is the only life plan community in New York State organized under the equity model with residents belonging to a cooperative. This provides them with the opportunity to share in the appreciated value of their independent living unit. Consistently ranked as one of the best companies to work for in New York State by the Society of Human Resource Management, Peconic Landing's skilled nursing facility is also recognized among *U.S. News & World Report's* Best Nursing Homes in America and is the only Long Island community accredited by the Continuing Care Accreditation Commission.

HJ Sims is privileged to be a financial partner with Peconic Landing since 2000 when we financed the initial construction of the community, as well as a significant expansion in 2015.

#### Peconic Landing At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> <li>» Peconic Landing opened in 2002 and includes 296 independent living apartments, 42 assisted living units and 60 skilled nursing beds on 145 acres with 2,700 feet of private beach on Long Island's North Fork.</li> <li>» Only CARF accredited life plan community on Long Island.</li> <li>» Winner of numerous awards for quality of care and work environment.</li> <li>» HJ Sims has worked with Peconic Landing since 2000.</li> </ul>	<ul style="list-style-type: none"> <li>» Loss of advanced refundings in 2017 created a challenge to benefit from low interest rates.</li> <li>» HJ Sims structured Forward Delivery Bonds to lock in low interest rates which would settle when the existing bonds were callable in late 2020.</li> <li>» The proceeds of a second series of bonds will be used to fund capital improvements at the community. These bonds were issued at closing and Peconic Landing has access to the proceeds immediately.</li> </ul>	<ul style="list-style-type: none"> <li>» HJ Sims worked with management to obtain a BBB- rating from Fitch with an improved Positive outlook.</li> <li>» A short call provision on the new bonds provides flexibility to combine this issue with the Series 2015 bonds at the future call date.</li> <li>» More favorable covenants will become effective if the Series 2015 bonds are ever refinanced.</li> </ul>	<ul style="list-style-type: none"> <li>» \$24.29 million bond issue closed on December 12, 2019.</li> <li>» Forward Delivery bonds will settle in November 2020.</li> <li>» Yield on the Forward Delivery bond maturing in 2040 is 3.45%.</li> <li>» Over \$300,000 in annual debt service savings despite \$1.965 million in additional debt.</li> </ul>

### STRUCTURED RIGHT®

HJ Sims is constantly on the lookout for our clients for opportunities to reap the benefits of historically low interest rates. While current interest rates did offer a debt service savings opportunity to Peconic Landing, the outstanding 2010 bonds were not permitted to be refinanced until late 2020 (the “call date”), and the 2017 tax reform legislation removed the common past practice of using tax-exempt bond proceeds to refinance debt prior to the call date.

HJ Sims proposed to Peconic Landing’s management and Board of Trustees the issuance of Forward Delivery Bonds wherein new bonds would be sold currently and the interest rate set, but delivery, or settlement, would not occur until the call date in late 2020. At that time the proceeds of the new bond issue would be used to redeem the outstanding 2010 bonds. Peconic Landing would benefit by eliminating the risk of rising interest rates before the call date. Investors would be paid a slight premium over current interest rates as an incentive to purchase the bonds.

Management wanted to use a portion of the potential debt service savings to issue a second series of bonds for capital improvements at the community to enhance the resident experience, including additional seating in the community’s auditorium and a new dining venue. Since this series of bonds would not be used to refinance the existing debt, it could be issued currently, and Peconic Landing would have access to the proceeds immediately.

### EXECUTED RIGHT®

HJ Sims worked with management to obtain a BBB-rating from Fitch Ratings on the new bond issues. Due to continued strong financial performance and benefit from lower debt service Fitch upgraded the outlook on the new bonds from Stable to Positive.

Peconic Landing also has an existing series of bonds issued in 2015 for an expansion at the community which has a late 2024 call date. Although the call date is outside the time frame that would make a forward delivery at this time economically feasible, HJ Sims included a short call date on the new bonds to afford Peconic Landing the flexibility of combining the two debt series into one down the road. Furthermore, the new bonds include more favorable covenants than the

2015 bonds so if the 2015 bonds are ever refinanced, the better covenants would become effective.

### FINANCED RIGHT®

On December 12, 2019 HJ Sims closed on two series of bonds: Series 2019A in the amount of \$1.965 million (current bonds) and Series 2019B in the amount of \$22.325 million (forward delivery bonds). The forward delivery bonds will settle in November 2020 and carry an interest rate of 3.45% for the bonds maturing in 2040. Taking into account the added debt service associated with the Series 2019A bonds, the debt service savings compared to the 2010 bonds is still over \$300,000 annually.

*“On behalf of our members, board of trustees, management, and team members, Peconic Landing offers our most sincere appreciation and gratitude to HJ Sims for once again providing us with an opportunity to strengthen the fiscal stability of our community. For over 20 years, HJ Sims has been an outstanding partner for our community by providing multiple opportunities which have significantly contributed to our overall financial success. Our most recent collaboration, a 2019 debt refinancing, will save our community over \$300,000 annually. This savings will assist us in moving forward with our long term strategic plans while further securing our financial stature. HJ Sims provides a perfect combination of financial expertise, innovation and customer service and we look forward to seeing what we accomplish together in the future.”*

— Lisa Quinn, Director of Finance, Peconic Landing

**For more detailed information  
on how Peconic Landing  
was Financed Right® by HJ Sims,  
please call or email:**

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*HJ Sims is a member of FINRA, SIPC  
and is not affiliated with Peconic Landing.*